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KENNEDY: AMERICA CAN DO BETTER THAN PAYING FOR TAX CUTS FOR THE WEALTHY ON THE BACKS OF THE WORKING POOR

Washington, D.C.- Today, Senator Edward M. Kennedy spoke on the floor of the United States Senate on the wrong priorities in the Republican plan to cut billions from critical programs while securing tax cuts for the wealthiest. Kennedy, ranking member on the Senate Health, Education, Labor and Pensions Committee, outlined the many programs in Massachusetts and across the country that would be slashed if proposed budget cuts and tax breaks are enacted. The Senator pointed out that the true meaning of Christmas should be compel us to do more for our fellow citizens than greater tax breaks for the rich and greater hardship for the poor and everyone else.

“As families across America struggle to make ends meet with higher health costs, higher college costs, higher gas prices, higher heating costs, and higher housing costs, Congress is about to make things worse for them. What we face this week is a Republican plan in which billions of dollars will go from programs that assist low income families and senior citizens into the pockets of the already wealthy.

Kennedy said. “The silent slavery of poverty is not so silent anymore. Katrina focused the nation’s attention on the immense hardships that low-income Americans face each day, and presented us with an historic and challenging opportunity to find better ways to lift up the most vulnerable among us. This is Christmas. Surely, the American people deserve better.”

Below is a fact sheet that outlines the key cuts in programs and the text of Senator Kennedy’s floor speech.

House Reconciliation Bill Cuts Important Low-Income Programs

Food Stamps: The House bill cuts food stamps by \$700 million, and cuts 255,000 people from the program.

- **At least 150,000 people will be cut from the Food Stamp Program as a result of the House provision to limit categorical eligibility.** Under current law, households who receive any type of benefit under the welfare (TANF) program are categorically eligible for the Food Stamp Program and aren’t subject to the same income and asset. The House bill limits categorical eligibility and essentially punishes states that have created new and innovative methods of increasing food stamp eligibility.
- **50,000-70,000 legal immigrants will be cut from the Food Stamp Program.** The House bill extends the waiting period for eligibility of adult legal immigrants from 5 to 7 years. Massachusetts currently serves 190,000 households through the Food Stamp program. This provision will force 2,060 people out of the program.

- **These cuts are coming just as the USDA release new hunger numbers that indicate 38 million Americans are food insecure—an increase of 5 million since President Bush took office.**

Child Support: The House bill cuts funding for child support enforcement activities by a total of about \$5 billion over the next five years. CBO projects the cuts will reduce child support collections by \$24.1 billion over the next 10 years.

- **The House bill will harm children in Massachusetts.** The cuts will result in a \$140 million reduction in the amount of child support collected over the next five years, and a \$428 million loss over the next ten years. In addition, CSE has played a vital role in the success of welfare reform in Massachusetts.
- **Child support makes up more than one-third of the income of poor families who are not on welfare—their second largest source of income.** Families who receive child support are three times less likely to return to welfare than families who do not receive child support.

Child Care: This House bill increases work requirements on states and families receiving welfare benefits but fails to provide the adequate resources to meet those requirements.

- **The House bill provides only \$500 million for child care assistance.** This is just half of the amount included in prior House welfare reauthorization bills. This funding is far less than what is needed to keep pace with inflation (\$4.2 billion) and the new work requirements on families (\$8.3 billion).
- **The number of child care subsidies to low-income working families could fall by 330,000 over the next 5 years.**

The Senate Reconciliation bill does not include these cuts. However, it is like that many of the cuts will be maintained during conference.

Medicaid: The House bill cuts Medicaid by \$12 billion over the next five years and \$48 billion over 10 years. Massachusetts would be cut by about \$336 million and \$1.35 billion over 10 years.

- 17 million people would face higher Medicaid cost-sharing. The House bill lets states require co-payments and deductibles on many Medicaid beneficiaries who do not pay cost-sharing under current law, and increase cost-sharing for beneficiaries who currently pay some cost-sharing. Seven million beneficiaries who currently have no cost-sharing would be impacted in the first 5 years, rising to 11 million by 2015. Six million beneficiaries who currently pay some cost-sharing would see their costs increase.

- Most of the \$10 billion in savings from higher cost-sharing would result because enrollees wouldn't access needed health care. CBO estimates that 80% of the projected savings results from decreased use of services. Health providers would be allowed to deny services if the enrollee doesn't pay the required cost-sharing – resulting in higher spending in other areas like emergency room visits.
- 2 million people would have to pay Medicaid premiums. The House bill would allow states to impose premiums on Medicaid enrollees. One million people would face premiums by 2010 and 2 million would face premiums by 2015.
- 110,000 enrollees would lose Medicaid coverage because they can't afford their premiums. 70,000 current Medicaid enrollees would lose coverage by 2010 and 110,000 by 2015 because they couldn't afford newly imposed Medicaid premiums allowed under the House bill.
- 5 million Medicaid enrollees – including 2.5 million children -- would have their benefits cut. The House bill allows states to cut benefits packages for their enrollees. Benefit cuts would impact 2.5 million enrollees in 2010 and 5 million enrollees by 2015. About half of those impacted would be children.
- 130,000 nursing home residents would be cut from Medicaid. The House bill puts new restrictions on nursing home residents' ability to qualify for Medicaid. This would delay Medicaid eligibility for 120,000 nursing home residents in 2010, and 130,000 residents by 2015.
- All of these numbers are CBO's conservative estimates. Many believe many more will be impacted. CBO estimates that many states will not increase cost-sharing or cut benefits as allowed under the House bill. If all states do cut benefits and increase cost-sharing as allowed under the House bill, as many as 30 million Medicaid beneficiaries would face higher costs due to increased cost-sharing. Thirty million Medicaid beneficiaries would face new or higher premiums. Two million Medicaid beneficiaries would lose health coverage because they can't afford their premiums. And 26 million Medicaid beneficiaries would have their Medicaid benefits cut.

Education:

- The House proposed Reconciliation bill would also impose new fees on

students and fails to provide any increase for student aid at a time when tuition costs are increasing and need-based student aid is stagnant.

- The Senate proposal authored by Senators Enzi and Kennedy included \$8.25 billion in new need-based student aid funding through the Pell grant formula.
- Nearly 80,000 students at Massachusetts colleges and universities received over \$180 million in Pell grants last year.
- The Senate proposal would mean an estimated \$120 million in additional aid for Pell eligible students in Massachusetts over the next five years.

LABOR HHS APPROPRIATIONS BILL: AMERICANS DESERVE BETTER

Education

- Smallest increase in Head Start funding since 1986.
 - Head Start will increase only \$11 million, leaving 750,000 eligible 3 to 5-year-olds without services.
 - In Massachusetts, nearly 15,000 eligible children will not be served.
- Even Start funding is slashed by more than half, from \$225 million to \$99 million.
 - Over 30,250 children will be dropped from the program.
- As requirements under the No Child Left Behind Act are more demanding than ever, the Republican proposed bill cuts \$780 million in funds for these programs.
- Title I funding for disadvantaged students, the law's key program, is \$9.9 billion lower than the amount promised in the law.

- Nationally, 3.1 million children would be left behind.
 - Over 52,000 Massachusetts children would be left behind.
 - If enacted, Massachusetts schools would see cuts of over \$4 million in Title I funding.
- Includes no new funding for after-school programs.
 - Funding in the bill, \$991 million, is less than half the amount promised under NCLB.
 - At this funding level, 1.65 million children would be left out of afterschool programs.
 - Cuts funding to keep our schools safe and drug-free.
 - Funding for Massachusetts schools will be cut from \$6.1 million to \$4.9 million.
 - Minimal increases in math and science funding while our students fall farther and farther behind.
 - The bill increases funding for Math and Science Partnerships by only \$5 million.
 - Pell Grants are frozen for the fourth year in a row.
 - The maximum Pell grant remains at \$4,050 despite tuition rising 45% at four-year public colleges since 2001.

Labor

- Job training programs cut.
 - The bill cuts funding for adult and youth training programs by more than \$60 million. This would mean a cut of \$3 million in Massachusetts.
- Funding cuts for Unemployment Insurance and Employment Services, even in the wake of Hurricane Katrina and with 8 million Americans unemployed.
- This bill prohibits OSHA from enforcing respiratory safety standards to protect health care workers from deadly infectious diseases.

- Workplace safety programs failed to receive adequate funding as workplace deaths rise.

Health

- NIH received the lowest funding in 35 years.
- \$8 billion dollars needed to prepare the U.S. for an avian flu outbreak was cut, leaving Americans unprepared.

TAX CUTS FOR THE WEALTHIEST

- Ironically – and sadly – these cuts to the budget come as Republicans will try this week to secure over \$90 billion in new tax breaks for the wealthiest.
- Bush and House Republicans want a \$90 billion package that will extend the president's dividend-and-capital-gains tax cuts for investors. (The Senate Republicans approved a \$58 billion alternative, without Bush's priority of extending capital gains and dividend cuts past their 2008 expiration date.)
- According to the Tax Policy Center, the capital gains and dividend tax cuts in the House Republican bill alone will save the average millionaire over \$32,000 per year — above and beyond the enormous cuts they've gotten already from this Administration.
- Most of the benefits of this extension would flow to taxpayers who make more than \$1 million per year, which the New York Times calls “morally reprehensible” at a time when so much is being cut from domestic programs.
- Estimates based on data from the Urban Institute – Brookings Institution Tax Policy Center show that if all of the Bush tax cuts are made permanent, the richest 1% of taxpayers will receive an average tax benefit of \$58,200 each year. This represents a 7.3% change in their after-tax income. By contrast, middle income taxpayers will receive an average annual tax cut of just \$655. This would represent only a 2.5% change in their after-tax income.
- The Bush tax cuts already enacted cost nearly two trillion dollars, plus additional interest on the higher national debt.
- On top of those tax cuts already in place, the President is proposing

another \$1.5 trillion dollars of extended tax cuts between FY 2006 and 2015, with another \$300 billion in additional interest. (Even this understates the real cost of making the tax cuts permanent, because nearly all the cost occurs in the five years after 2010. Thus, the real ten year cost (FY 2011 – 2020) would be nearly \$3.0 trillion dollars.)

- In January 2002, Senator Kennedy was the first major Democratic official to call for a rollback of those Bush tax cuts that benefited only wealthy taxpayers, specifically:

- 1) restoring the rates of the top three brackets – 39.6%, 36%, and 31% to their 2001 levels;
- 2) maintaining the partial phase-out of exemptions and deductions for high income taxpayers contained in the 2001 tax code;
- 3) maintaining the estate tax on estates over \$3.5 million.

KENNEDY FLOOR STATEMENT ON REPUBLICAN MISPLACED PRIORITIES
(As prepared for delivery)

As Congress meets for a final session before we adjourn for the holidays, we should be focused on the true meaning of Christmas and the special thoughts that Americans of many faiths have at this time of year regarding their families, their friends and neighbors, and the rest of humanity.

Christmas is a season of great hope – a time of goodwill and special caring for others. That’s what we should remember as we celebrate the birth of Christ, and the glad tidings of great joy that came to us that day.

There are those in America who urge the return of the word “Christmas” to this holiday season. I believe that Christmas is more than a word. It is a belief in a power far greater than ourselves. It is a belief in the possibility of lives full of hope and fulfillment. It is a belief that each of us has a sacred obligation to care for one another and to help those in need – to lend a hand to the least of those in our midst.

But I’m sad to report, that’s not what we’re seeing in Congress this week.

As families across America struggle to make ends meet with higher health costs, higher college costs, higher gas prices, higher heating costs, and higher housing costs, Congress is about to make things worse for them.

Millionaires will be given tens of thousands of dollars in new tax breaks, but Medicaid cuts could mean that 22 million poor Americans will face a reduction in help from that lifesaving program. And two million others may lose their health care entirely.

Proposed budget cuts would mean that 750,000 poor preschoolers who are eligible for Head Start won’t be able to get into the program.

More than a quarter of a million poor Americans could lose their food stamps, and could face hunger.

These cuts are proposed just as the Department of Agriculture reports that 38 million Americans face hunger, an increase of five million since in five years.

Hundreds of thousands of children could lose their child support because of Republican proposals to cut enforcement against delinquent fathers.

Three million poor children could be left behind in school. They won't get the quality teachers and after-school help and supplemental services they need to catch up and succeed.

Hundreds of thousands of airline workers – the ones who are helping us get home for the holidays – could see their pensions hanging in the balance, and millions of other Americans could lose their pensions, too.

That's what is at stake in Congress this Christmas. Are these actions consistent with the spirit of this holiday season? Rather than debate whether the word "Christmas" should appear in our stores and on our greeting cards, shouldn't we be living out the hope that came from the first Christmas and do more for our fellow citizens than greater tax breaks for the rich and greater hardship for the poor and everyone else?

As Christian leader Reverend Jim Wallis said last week, "The Bible does not condemn prosperity. It just insists that it be shared."

So I would hope that those in Congress who seek to lavish more tax breaks on the privileged few at the expense of the rest of America will reconsider – not only at Christmas, but throughout the year.

Otherwise, what we face this week is a Republican plan in which billions of dollars will go from programs that assist low income families and senior citizens into the pockets of the already wealthy.

The provisions in the House bill that would cut the tax rate on capital gains and dividend income are particularly unfair, because more than 86% of the tax benefits will go to taxpayers with incomes above \$100,000 a year. Nearly half the benefits – 45 percent – will go to taxpayers with incomes over \$1 million a year. The average millionaire will save \$32,000 a year from these tax breaks for capital gains and dividends. In stark contrast, families with incomes less than \$100,000 would receive an average tax cut of only 29 dollars.

This is by no means the only outrageous provision in the Republican plan – just the most costly. There are others. Republicans in the House propose a \$5 billion tax break for financial services companies doing business in foreign countries. This provision actually creates a tax incentive for these huge corporations to invest abroad instead of in the United States.

The spirit of Christmas should compel us to take another path. We should start investing in the health and well-being of all families. The average family is being squeezed unmercifully by stagnant wages and ever-increasing costs for the basic necessities of life. The cost of health insurance has risen 59% in the last five years. Gasoline is up 74%. College tuition is up 46%. Housing is up 44%. The list goes on and on, up and up – and paychecks are buying less each year.

The economic trends are very disturbing for any who are willing to look at them objectively. The gap between rich and poor has been widening in recent years. 37 million Americans now live in poverty, up 19% during the Bush Administration. One in six American children lives in poverty. 13 million children go to bed hungry each night. Long-term unemployment is at historic highs.

The silent slavery of poverty is not so silent anymore. Katrina focused the nation's attention on the

immense hardships that low-income Americans face each day, and presented us with an historic and challenging opportunity to find better ways to lift up the most vulnerable among us.

This is Christmas. Surely, the American people deserve better.

In the Senate, we did our best to respond to the needs of average Americans by helping to expand access to a college education. We cut the fat out of bank profits and put it back where it belongs – helping students afford the cost of college. Our bill included a virtually unprecedented increase in need-based aid – over \$8.25 billion over 5 years. All together, it provides \$12.5 billion in new aid and additional benefits for students.

But that is now in jeopardy from those who believe that tax breaks are more important than our children's future.

Americans know that education is the great equalizer – when young people work hard, study, and play by the rules to be well-qualified academically, they should be able to attend college. But the cost of public college tuition and fees has skyrocketed 46% since 2001. This leaves the lowest income students at 4-year public colleges with an average of \$5,800 in unmet need. Too many qualified students – over 400,000 each year -- do not go to a 4-year college because they cannot afford it.

Almost 200,000 do not attend college at all, not even a community college. This is not acceptable – we should and can do better.

In addition, the Republican plan, as found in the bill funding education and health care, will cut funds for public schools for the first time in a decade, leaving three million children behind. It provides no new funds for after-school programs and strips funding for the technology our schools need to compete in this information age.

The bill covers less of the cost of meeting the educational needs of students with disabilities, instead of meeting our promise to parents and communities to do more.

It leaves Pell Grants frozen in place for the fourth year in a row, even as college costs are soaring.

The proposal cuts job training, even as the number of good jobs is shrinking, and fails to provide adequate increases for programs to ensure worker safety, as workplace fatalities are increasing and deaths among Hispanic and immigrant workers are at epidemic levels.

Funding for Unemployment Insurance offices has been cut by \$141 million and funds for programs to help unemployed workers with job-seeking have been cut by \$89 million, even in the wake of Hurricane Katrina and with 8 million Americans unemployed.

We live in an age of medical miracles, but the bill cuts health funding by a staggering \$376 million.

Patients and their loved ones look with hope to NIH for breakthrough new cures for cancer, diabetes, stroke, Alzheimer's Disease, and many other disorders. But the Republican proposal freezes medical progress in its tracks by denying NIH the funds it needs to sustain the progress of recent years. The bill gives NIH its smallest budget increase in 35 years, more than \$600 million below the amount needed just to keep pace with inflation.

Doctors, nurses, and other health professionals are on the front lines in the battle to protect American families from pandemic flu, biological attacks, and other serious dangers. We should do all we can to help them keep us safe. But the Republican proposal cuts needed funding for programs to strengthen public health agencies, and help hospitals treat patients afflicted with contagious illnesses. It is inconceivable to cut these programs when the deadly new strain of influenza affects nation after

nation, coming ever closer to our shores – but that's just what the Republican proposal does.

Not only does the bill cut the basic funding to strengthen our hospitals and health agencies, it also lacks the resources that the Senate provided to take emergency measures to respond to the growing threat of avian flu. Because the Bush Administration was asleep at the switch in preparing for this obvious threat, America lags dangerously behind other nations in readiness for flu. Other nations are implementing their readiness plans, but ours is still incomplete. America is at the back of the line when it comes to ordering urgently needed anti-viral medications. Now the Republican leadership is poised to compound the failures of the Bush Administration by denying the funds needed to improve our production of vaccines, stockpile flu medicine, accelerate research, and take other measures needed to prepare.

Finally, I am deeply concerned that it seems to be the plan of the Republican leadership in Congress to put aside urgently needed steps to protect pensions.

For millions of loyal American workers the dream of a secure retirement has become a nightmare. In the past five years, 700 pension plans have gone into crisis and workers have lost an estimated \$8 billion in promised pension benefits. These are Americans who have worked hard and played by the rules, only to see their pensions fail and retirement dreams wiped away. Surely, in this season of hope and good will, we cannot ignore their needs.

Workers across the country are facing this crisis. We see it with our airline workers. We see it with workers in manufacturing industries. We see it with construction workers and sales clerks at the store and so many of our neighbors.

These are serious problems that require immediate action by Congress. We need to address both the immediate, short-term crisis and to find longer-term solutions to improve the health of our pensions system and increase retirement savings.

The Senate moved forward with a comprehensive pension bill last month. We'd like to conference our bill with the House so that we can give the President a bill to sign. We think that there are reasonable policies that both parties can agree on to strengthen our pension system. But last week, the House leadership announced that they don't plan to complete a pension bill this year. They just don't have time, apparently.

Well while this clock runs out on our legislative year it is running out for good for millions of Americans around the country.

Hundreds thousands of workers and retirees at airline companies see their retirement on the line. This includes retired mechanic Randy Daly, of Apple Valley, Minnesota, who spent 40 years as a mechanic at Northwest Airlines. At 61 he thought his best years are ahead of him. But now he's learned that if his company's pension plan fails, he stands to lose over 40% of his retirement benefits. Many of his 70,000 fellow workers and retirees fear a similar fate.

Our airline companies are under tremendous financial pressure from terrorism, the recent catastrophes of Hurricane Rita and Hurricane Katrina and increased jet fuel prices. Some of these companies have already filed for bankruptcy. If these companies drop their pensions, it will mean catastrophe for their workers and heavy burdens for the pension insurance system.

The Senate bill has important provisions to help save these pensions—provisions that had overwhelming bi-partisan support in this body, sponsored by Senators Isakson, Rockefeller, Coleman, Bill Nelson, and others.

We also hear every day in the papers news of challenges from globalization and rising fuel prices faced by manufacturing companies. Hundreds of thousands of workers at companies like Bethlehem Steel and LTV have already paid the price with their lost pensions. We should not wait until more plans are on the brink of failure before we act. The Senate bill would help workers in these vulnerable sectors, too, providing for a new program to allow the government to work with companies and workers to keep these pensions.

Americans want these critical provisions to help these industries preserve pensions for their workers. But without action by the House, that language will remain just a piece of paper that hasn't been signed into law.

The Senate bill also makes critical long-term improvements to strengthen the funding rules for all pension plans, so that the money is there to pay for the promises companies have made to their workers.

It helps nearly 10 million workers and retirees who receive pensions through multiemployer plans, which cover many workers in small businesses around the country. The Senate bill would help plans that are in financial trouble to get back on their feet to restore these pension plans to health.

We also address the long-term future of our retirement system –I spoke about them at length when we debated this bill in November. These protections will be crucial to helping workers in defined contribution plans, which are playing an increasing role in our retirement system. They will help workers to save more and receive independent investment advice to wisely build their retirement nest eggs.

We also included key reforms to respond to the Enron, WorldCom and other corporate scandals, where employees were forced to invest in company stock and are at huge risk. Finally, we address women's retirement security with provisions from the Women's Pension Protection Act that I introduced with Senator Snowe. These long overdue improvements will help make private pensions more responsive to the realities of women's lives and careers.

All of these protections were developed with the leadership and contributions of Senators from both parties. That process culminated in the Pension Security and Transparency Act passing the Senate with overwhelming bi-partisan support, receiving 97 votes just a month ago.

I urge the Republican leadership to put this issue back on the table. The workers have done their part. They have worked long and hard over many years to earn these pensions. Now it's time for Congress to do its part to do everything it can to keep these pension plans strong and solvent.

American workers and their families expect Congress to protect their hard-earned pensions.

Americans expect Congress to help them send their children to college, not make college more expensive.

At a time when more and more workers need advanced skills to compete in a global economy, Americans expect Congress to increase, not cut education and job training programs.

Americans expect Congress to help them secure healthcare for their families, not cut healthcare assistance for the most vulnerable Americans.

Americans expect more from us. America deserves better. Especially at Christmas.

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